

# MONTHLY REVENUE REPORT

## January 2005

Tax collections in January were strong. The revenue from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.84 billion in January, which was up 7.7% from the year-ago level. Adjusting for the recent increases in the tobacco and casino tax rates, which were not in effect last year at this time, January tax collections were still up a strong 6.5%. Taxes experiencing a gain in revenue in January included the income, sales, use, tobacco, single business, State education property, casino, and oil and gas severance taxes. This strong increase in January is difficult to explain given that the latest economic data show that employment in Michigan is still declining. On a fiscal year-to-date basis, the revenue from these major taxes is up 10.5% based on cash collections or about 6.5% after adjusting for the recent tax increases.

Net income tax collections (gross collections less refunds) totaled \$769.0 million in January, representing a 1.7% increase from last year's level. Adjusting for the decline in the tax rate, which is currently 3.9% compared with 4.0% last year at this time, the baseline or economic increase in gross income tax collections was about 4.1% in January. Gross collections (withholding, quarterly, and annual payments) were up 4.2% in January, due in large part to a solid 5.0% increase in income tax withholding payments. The amount of past income tax payments that were refunded to taxpayers increased from \$39.0 million in January 2004 to \$59.0 million in January 2005, and this increase partially offset the gain in gross collections. So far in FY 2004-05, net income tax revenue is up 2.8%.

Sales tax collections totaled \$558.0 million in January, which was up 13.5% from last year's level. While sales tax collections can be very volatile on a monthly basis, sales tax collections were still up a strong 8.0% in January using a three-month smoothing average. Sales tax collections from motor vehicle transactions continued to fall well below year-ago levels by dropping 15.8% in January, which marked the 10th consecutive monthly decline. This decline in motor vehicle sales tax collections was, however, more than offset by a very strong 18.2% increase in sales tax receipts from all other taxable retail sales. On a fiscal year-to-date basis, sales tax collections are up 8.0%.

Single business tax collections totaled \$209.0 million in January, representing a 9.7% increase from the January 2004 level. This marked both the third consecutive month that single business tax revenue topped the year-ago level and the first time since 2000 that single business tax collections posted an increase for three consecutive months. On a fiscal year-to-date basis, single business tax collections are up 15.7%.

Among the other major taxes, tax collections were up in January for the use tax, up 13.1%; State education property tax, up 42.3%; and oil and gas severance tax, up 75.7%. In addition, recent increases in the tobacco and casino tax rates helped boost their collections in January 29.3% and 52.6%, respectively. Tax collections declined in January for the insurance tax, down 11.9%; real estate transfer tax, down 15.2%; and estate tax, down 71.6%.

The table on the back of this report identifies the major taxes included in this report and provides their respective revenue levels and growth rates for January 2005. Also presented are the revenue estimates for FY 2004-05, which were adopted at the January 2005 Consensus Revenue Estimating Conference.

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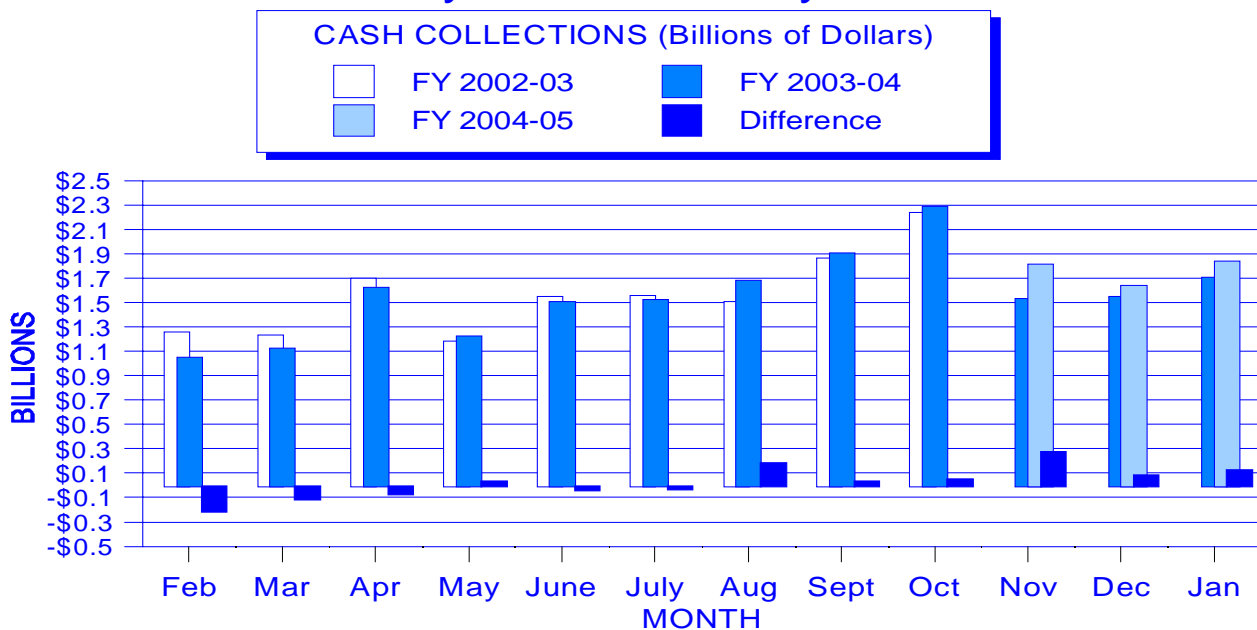


**MICHIGAN REVENUE UPDATE  
JANUARY 2005  
(dollars in millions)**

Type of Revenue	January Collections		FY 2004-05 to Date <sup>2)</sup>		FY 2004-05 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2003-04
Gross Income Tax	\$827.9	4.2%	\$2,008.3	3.9%	\$7,538.1	1.0%
Refunds	(58.9)	52.2	(102.3)	29.8	(1,660.7)	4.2
Net Income Tax	\$769.0	1.7%	\$1,906.0	2.8%	\$5,877.4	0.4%
Sales Tax	558.4	13.5	1,722.6	8.0	6,707.8	3.6
Motor Vehicles	57.7	(15.8)	172.4	(13.9)	---	---
All Other Sales Tax	500.7	18.2	1,550.2	11.2	---	---
Use Tax	114.5	13.1	352.3	15.4	1,369.3	4.0
Tobacco Taxes	98.5	29.3	290.0	33.6	1,189.2	19.8
Single Business Tax	208.6	9.7	486.6	15.7	1,855.7	1.5
Insurance Tax	25.9	(11.9)	52.5	(7.2)	239.3	3.9
State Education Property Tax	24.9	42.3	358.6	61.0	1,846.0	1.2
Real Estate Transfer Tax	22.4	(15.2)	76.8	(6.5)	310.0	(2.4)
Estate/Inheritance Tax	3.1	(71.6)	8.5	(59.9)	39.0	(48.3)
Casino Wagering Tax	11.6	52.6	34.5	51.3	147.0	47.1
Oil & Gas Severance Tax	6.5	75.7	16.5	283.7	55.0	(3.7)
<b>Total</b>	<b>\$1,843.4</b>	<b>7.7%</b>	<b>\$5,304.9</b>	<b>10.5%</b>	<b>\$19,635.7</b>	<b>2.9%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$151.0	(15.9)%	\$687.0	8.4%	\$2,050.2	3.9%
Net to School Aid Fund <sup>4)</sup>	\$ 46.6	(17.5)%	\$209.4	(2.9)%	\$ 649.9	0.8%

- 1) Total collections are unadjusted cash collections unless otherwise noted.  
2) FY 2004-05 year-to-date collections begin with November 2004 collections to reflect accrual accounting.  
3) Consensus revenue estimates adopted at the January 13, 2005, Consensus Revenue Estimating Conference.  
4) Lottery revenue is not accrued, so FY 2004-05 lottery revenue will include October 2004 to September 2005.

**Actual Revenue Collections for Major State Taxes\***  
**February 2003 to January 2005**



\*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.